



MAR 31 1989

United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

Mountain Plains  
Region

1244 Speer Blvd.  
Denver, CO  
80204-3581

Reply to  
Attn. Of: SFSP-379

Subject: **Audit Guide:** Summer Food Service Program (SFSP)

To: STATE Agency DIRECTORS - Colorado ED, Iowa, Kansas  
(child Nutrition Programs) Missouri DH, Montana OPI,  
Nebraska ED, North Dakota,  
South Dakota, and Utah

This package contains the Audit Guide for audits of SFSP sponsors. This Guide, which supersedes Audit Guide No. 7027.BN, dated April 1981, is provided for use by non-federal auditors in making program-specific audits of SFSP operators.

This Audit Guide has been revised to incorporate changes in the SFSP Regulations at 7 CFR Part 225 and audit standards and procedures prescribed by the Office of Inspector General, USDA.

The Audit Guide can be found on the USDA website at <http://www.usda.gov/oig> (click on Audit and Review Guides). Auditors must use the Guide when performing program-specific audits of the SFSP [7 CFR 3052.235 (a)]. Please notify those auditors who will be conducting audits under the SFSP of the availability of this Audit Guide.

If you need additional information, contact our staff at (303) 844-0359.

*for*  
ANN C. DEGROAT  
Regional Director  
Child Nutrition Programs

Attachment

MAR 31 1966

United States  
Department of  
Agriculture

Office of  
Inspector General

Washington, D.C.

No.

IG-7027.8N

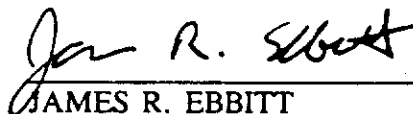
## Audit Guide

### FOOD AND NUTRITION SERVICE

#### FNS-Summer Food Service Program for Children

This guide is provided for use of nonfederal auditors. Primary distribution to intended users will be by FNS. A small supply is being furnished to OIG Manual holders for incorporation into their directive systems and to meet requests for copies of the guides.

**MATERIAL SUPERSEDED:** Audit guide No. 7027.8N, dated April 1981. Remove and destroy.



JAMES R. EBBITT  
Assistant Inspector General  
for Audit

**AUDIT FIRMS WHICH DO NOT COMPLY WITH PROFESSIONAL AUDITING STANDARDS AND/OR FOOD AND NUTRITION SERVICE (FNS) PROGRAM REQUIREMENTS COULD BE REFERRED TO THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, AND CONSIDERED FOR SUSPENSION OR DEBARMENT FROM PERFORMING AUDITS OF FNS PROGRAMS.**

Date

March 5, 1999

## P R E F A C E

The audit guide has been revised to incorporate changes in the Summer Food Service Program Regulations at 7 CFR part 225, and audit standards and procedures prescribed by the Office of Inspector General, USDA. This revised guide was prepared with participation of representatives of the Food and Nutrition Service and the Office of Inspector General, and reviewed by the AICPA.

The State agency and the Food and Nutrition Service will use the audits required under this program as a basis for reimbursement to sponsors of program costs. We are, therefore, relying on the professional integrity and competence of the auditor to attest to the propriety of the amount of reimbursement due a sponsor. The State agency will provide training on the Program and make this training available to auditors.

Users of this guide should be aware of the requirements herein and must exercise care to adhere to such requirements. Reimbursements to sponsors may be delayed or withheld if the audits made under the program do not meet the requirements of this guide.

Comments and suggestions for improvement of this guide are encouraged.

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- A. **PURPOSE.** This guide is designed to assist independent auditors in conducting audits of the operations of the Summer Food Service Program (SFSP).

This guide is not intended to be a substitute for the program regulations and handbooks listed in section E, but is presented to assist in evaluating the sponsor's claim for reimbursement. Since no single audit program can meet all needs, specific audit procedures cannot be prescribed to cover every situation which may occur. Therefore, in order to meet the audit objectives established in this guide, the auditor may judge it necessary to take audit steps beyond those prescribed to provide sufficient evidence so that the required reports may be issued.

- B. **APPLICABILITY.** This guide applies to all certified public accountants and State and local government auditors conducting audits of SFSP sponsors. Auditors should be aware that, under Federal regulations, State agencies are responsible for providing audit guidelines to sponsors. Auditors should determine whether or not the State agency has issued any supplemental audit information or requirements to sponsors. We recommend the use of the material set forth in this guide for audit guides developed by State agencies.

- C. **BACKGROUND.** Congress established the SFSP in 1975 under section 13 of the National School Lunch Act (42 U.S.C. 1761) to provide important nutrition assistance to children living in low-income areas. It is a neighborhood-based program which helps ensure that children who receive meals free or at a reduced price at school have access to free, nutritious meals after the school year ends. Federal funds are made available to eligible service institutions, such as schools, municipal or county government agencies, universities, residential camps, or private nonprofit organizations, to enable each approved sponsor to serve meals to needy children. For many of those children, SFSP meals provide a substantial portion of the nutrients that they receive each day.

The SFSP is generally limited to areas in which poor economic conditions exist; that is, where at least 50 percent of the resident children meet income eligibility guidelines for free and reduced price school lunches. If aggregate school or census data indicate that a potential site is located in or will draw children from an area of poor economic conditions, the area that will be served is eligible as an open site. Otherwise, site eligibility may be established by demonstrating that at least 50 percent of participating children have been individually determined eligible for free and reduced price meals; such a site is known as an enrolled site. Once an open or enrolled site's eligibility is established, reimbursable meals are served free to all children, 18 years of age and younger, who wish to participate. At camps, only those meals served to campers who individually qualify for free and reduced price school lunches are eligible for reimbursement. Sites primarily serving children of migrant workers do not need to establish area or individual eligibility and meals served to all participating children are eligible for reimbursement.

Meals are reimbursed on either a per-meal basis or for the actual cost of operating the Program, whichever is less. A higher rate of reimbursement is paid for meals that are prepared by the sponsor or served in rural areas. Most sites may be approved to serve up to two reimbursable meals each day. The SFSP provides up to three meals each day to eligible children who attend a camp (residential or day), or who participate in a program that primarily serves children of migrant workers.

Although geared primarily to the summer school vacation period, meal services may also be provided under this program at other times of the year in communities where schools operate on a continuous school calendar basis.

Experience with this program has demonstrated that meal service in outdoor and temporary food service sites creates special problems. Therefore, the law and regulations at 7 CFR 225.15 prescribe specific requirements affecting participation of certain service institutions. In all cases, considerable management capability is necessary to plan, organize, direct, and control a large scale summer food service operation at such facilities.

- D. PROGRAM RESPONSIBILITIES.** The Food and Nutrition Service (FNS), U.S. Department of Agriculture (USDA), through its seven regional offices, administers SFSP at the Federal level. Within most States, the Program is administered by the State educational department or an alternate agency. However, in a few States (currently Michigan, New York, and Virginia), all or part of the SFSP is administered directly by an FNS regional office.

The sponsors are responsible for site operations. In agreeing to participate in the SFSP, the sponsor accepts final financial and administrative responsibility for the program. If a sponsor contracts with a food service management company to prepare and deliver meals, then the food service management company must operate in accordance with program requirements.

Each State agency plans for and carries out Program training for participating sponsors, as well as food service management company representatives, auditors, and health inspectors involved in the Program in that State.

Attachment 1 summarizes the responsibilities for administering and operating the program.

- E. PROGRAM MATERIALS.** Each State agency develops and provides to auditors, all necessary Program materials, including updated policy issuances, in sufficient time to enable the auditor to adequately prepare for the audit. The following materials provide guidelines for auditing the SFSP:

- National School Lunch Act, U.S.C. 1761, as amended



- Code of Federal Regulations (7 CFR part 225 and amendments)
- Administrative Guidance for Sponsors
- Nutrition Guidance for Sponsors
- Site Supervisor's Guide
- SFSP Invitation for Bid and Contract, Form FNS-688 (2-94)
- Monitoring Guide
- Notice, Child Nutrition Programs Income Eligibility Guidelines (issued annually)
- Notice, SFSP Reimbursement (issued annually)
- 7 CFR 3015, Uniform Federal Assistance Regulations
- 7 CFR 3017, Governmentwide Debarment and Suspension (Nonprocurement)
- 7 CFR 3018, New Restrictions on Lobbying
- Financial Management - SFSP for Children, FNS Instruction 796-4, rev.4.

The following FNS instructions also clarify SFSP requirements:

- Civil Rights Compliance and Enforcement in the SFSP, FNS Instruction 113-8
- Free and Reduced Price Eligibility Determinations for Foster and Institutionalized Children, FNS Instruction 765-5, rev.1
- Eligibility for Donated Foods to Camps in the SFSP, FNS Instruction 770-3
- Tax-Exempt Status for SFSP Sites, FNS Instruction 776-6, rev.1
- SFSP Special Accounts, FNS Instruction 781-10
- Residential Camp Participation in SFSP, FNS instruction 782-3, rev.1
- Approval of Child Care Institutions for the SFSP, FNS Instruction 782-4, rev.2
- The Grains/Breads Requirement for the Food-Based Menu Planning Alternatives in the Child Nutrition Programs, FNS Instruction 783-1, rev.2
- Meal Substitutions for Medical or Other Special Dietary Reasons, FNS Instruction 783-2, rev. 2
- Family Style Meal Service in the SFSP, FNS Instruction 783-3, rev. 1
- Juice Products—Child Nutrition Programs, FNS Instruction 783-11, rev.1
- Variations in Meal Requirements for Religious Reasons: Jewish Schools, Institutions, and Sponsors; FNS Instruction 783-13, rev. 2
- Variations in Meal Requirements for Religious Reasons: Seventh-day Adventist Schools and Institutions, FNS Instruction 783-14, rev. 1
- Reimbursement for Recycled Milk and Other Meal Components, FNS Instruction 786-6, rev. 1
- Eligibility and Responsibilities of Government Sponsors in the SFSP, FNS Instruction 788-11, rev. 1
- Approval of Sponsors Under Investigation or Audit in the SFSP, FNS Instruction 788-12, rev. 1
- Sub-sites in the SFSP, FNS Instruction 788-13, rev. 1
- Health Inspection Contracts—ROAP States for the SFSP, FNS Instruction 792-3
- Agreements with Entities Which Operate Interstate Schools and Facilities, FNS Instruction 794-5, rev. 1

- Milk Requirement in Child Nutrition Programs, FNS Instruction 783-7, rev. 1
- Distribution of USDA Donated Foods to Schools, Child Care Institutions, and Service Organizations, FNS Instruction 783-8, rev. 1

**Note:** On October 31, 1998, President Clinton signed the Child Nutrition Reauthorization Act of 1998 (Public Law 105-336). Several provisions in this law affect the administration of SFSP. Regulations to implement these provisions will be published as soon as possible. However, these provisions must be implemented in accordance with the statutory effective date. Therefore, check with the SAs for guidance to use until final rules are published.

**F. AUDIT OBJECTIVES.** The objectives of the audit are:

- a. To determine if the financial operations of the sponsor are properly conducted in accordance with applicable Federal regulations.
- b. To determine whether costs claimed for Federal reimbursement under the program are reasonable, allowable, and allocable to the Program; and to adjust the claim for all costs not supported or allocable to the Program.
- c. To prepare a report including an opinion as to whether the statement of claim for reimbursement presents fairly the reimbursement claimed for the SFSP in conformity with prescribed accounting procedures and program guidelines.
- d. To review the sponsor's operational system and report on noncompliance with SFSP regulations and guidelines.

**G. STANDARDS AND GUIDELINES FOR CONDUCTING AUDITS.** The audit will be conducted according to the U.S. General Accounting Office "Government Auditing Standards (1994 revision), financial and compliance element of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General of the United States.

**1. Audit Standards.**

**AICPA Attestation Standards**

The American Institute of Certified Public Accountants (AICPA) has published Statements on Auditing Standards which provide professional guidelines for performing attest services. These standards are to be followed by the certified public accountant (firm) in the practice of public accounting that is engaged to perform an attestation engagement. The engagements performed under the program should meet these Attestation Standards as they pertain to the technical competence, independence in mental attitude, due professional care, adequate planning and supervision, sufficient

evidence, and appropriate reporting for the highest level of assurance as provided by an "examination" procedure to a presentation of assertions.

### **GAO Government Auditing Standards**

The Comptroller General of the United States has published Government Auditing Standards (1994 Revision) which contain standards for audits of governmental organizations, programs, activities and functions, and of government funds received by contractors, nonprofit organizations, and other nongovernmental organizations. These standards are to be followed by Federal, State and local government audit groups, as well as independent public accountants, when required by law, regulation, agreement, contract, or policy. The examinations performed under this program must meet the Government Auditing Standards as they pertain to the auditor's professional qualifications, the quality of audit effort, and the characteristics of professional and meaningful reports for financial-related audits.

### **Other Authoritative Standards**

To the extent applicable, to attestation engagements and financial-related audits, the engagement is subject to any other authoritative interpretive standards that apply to the engagement.

2. **Quality Assessment Program.** The Office of Inspector General has implemented procedures for evaluating audits made of USDA programs. Audits made by independent public accountants of the SFSP are subject to a quality review to be made by the Office of Inspector General or an independent public accounting firm. State/legislative auditors may also make quality reviews on behalf of USDA. Whenever these reviews disclose significant inadequacies in the quality of audit work, the independent public accountant will be contacted for corrective action. In those instances where inadequacies are not corrected, the matter will be submitted to the AICPA Professional Ethics Committee or the appropriate State regulatory agency.

Audits made by State and local audit organizations are subject to quality reviews by the Office of Inspector General, USDA.

3. **Independence and Objectivity.** To qualify to audit the SFSP, an auditor must be: (a) a certified public accountant, or an audit firm whose principal officers are certified public accountants; or (b) a public accountant licensed on or before December 31, 1970, currently certified or licensed by a regulatory authority of the State or other political subdivision of the United States; (c) State auditor general, State comptroller's office, or a comparable State audit organization; or (d) local government audit organization.

In accordance with government auditing standards, the audit organization and the individual auditors should be free from personal and external impairments to

independence, should be organizationally independent, and should maintain an independent attitude and appearance.

4. **Scope and Period of Audit.** The audit will cover all of the sponsor's operations related to this program, including those operations immediately before and after the dates of the actual food service. The scope of the audit and the resulting report must meet the minimum requirements of this audit guide.

Attachment 4 is an example of a letter which describes the scope and conditions of the audit.

5. **Preparation for Audit.** In view of the short length of time during which SFSP operates, it is incumbent upon the auditor to allow adequate time before the start of the program to become thoroughly familiar with the nature of the program and its rules and requirements. Since program funds are spent in a short period of time, such prior knowledge is necessary if the auditor is to present effective and timely reports. (Contact the applicable State agency or FNSRO).

6. **Conferences with Sponsor Officials**

- a. **Initial Conference.** To help plan for the audit, the auditor must hold an initial conference with the sponsor's officials at an early date before the SFSP operations begin. This meeting should also serve to secure part of the information for the required management letter described in Section I of this guide.
- b. **Exit Conference.** Before completing the audit, the auditor must hold an exit conference with the sponsor's officials. The report—and in particular the findings regarding Program compliance—should be discussed and the sponsor's comments secured for inclusion in the report.

- II. **REPORTING REQUIREMENTS.** The auditor will issue a management letter and a final audit report. Additional memoranda regarding audit observations may be issued to the sponsor when necessary during the period of Program operations. The final audit report is due by October 31 or 60 days after the close of the Program, whichever is sooner.

The auditor will prepare a report (see Attachment 3) which will include, at a minimum, the following components:

- Accountant's Opinion on the Audited Statement of Claim for Reimbursement (See Attachment 2.)
- Audited Statement of Claim for Reimbursement - Attachment 3, Exhibit A
- Schedule of Meals Served and Cost of Meal Service - Attachment 3, Exhibit B or C
- Statement of Budgeted Administrative Expenses and Actual Administrative Expenses - Attachment 3, Exhibit D

- Calculation of Maximum Allowable Administrative Costs - Attachment 3, Exhibit D-1
- Schedule of Disallowance Notices - Attachment 3, Exhibit E
- Summary of Compliance with Federal Regulations and Program Guidelines - Attachment 3, Exhibit F
- Sponsor Visits - Attachment 3, Exhibit G
- Site Visits - Attachment 3, Exhibit H

The report shall contain an opinion whether the audited Statement of Claim for Reimbursement is a fair presentation of the amount of reimbursement that the sponsor is entitled to under the Program. The auditor must make the appropriate adjustment in the report for any cost not supported or documented. For example, if site reports were not maintained for 2 days, the auditor must (1) question the amount claimed for those two days and make appropriate adjustments to the claim; and (2) clearly explain the reasons for adjustment in the audit report.

If the auditor cannot render an opinion, the reasons should be stated and clearly explained in the report.

The auditor should present narrative comments and recommendations on noncompliance with program regulations, along with the sponsor's comments, as a part of Exhibit F to the audit report.

**NOTE:** A sponsor may be fined up to \$10,000 and sentenced up to 5 years in prison under 18 USC 287 for submitting a false claim under the program.

## **I. EVALUATION OF INTERNAL AND MANAGEMENT CONTROLS**

A study and an evaluation of the accounting system and internal controls are to be performed according to Government Auditing Standards. The auditor shall write a management letter within the first 2 weeks of operation advising the sponsor on whether or not internal controls and operating systems meet Program regulatory requirements. For this evaluation, the auditor should:

1. Determine whether the sponsor is able to segregate and accumulate those costs related to the Program for which he or she is authorized to receive reimbursement; and whether the sponsor has adequate source documents to support such costs.
2. Determine that the sponsor has a system for obtaining and maintaining a regular report from each food service site. This report should document the number of meals received or prepared, and the number of meals served to children daily. Failure to maintain a system of site records constitutes a weakness in the sponsor's internal control which could subsequently result in the disallowance of the sponsor's Claim for Reimbursement.

3. Determine that the sponsor has procedures for reviewing and adjusting daily the number of meals prepared or delivered to its food service sites to avoid excess meals. (Sponsors can claim a limited number of second meals served to children --- up to 2 percent of the number of first meals served at the sites during the claiming period.)
4. Review the sponsor's method of preparing monthly accounting summaries for each food service site. Its records should be able to document the number of meals received or prepared and served by type (e.g., breakfast, lunch, supper, supplement). Invoices for unitized meals from food service management companies should be broken down for each site to which deliveries will be made. The summaries should be recorded into an overall report of meals served at all sites.
5. Determine that the sponsor maintains a file of authorized signatures to authenticate site reports, or has some other means to establish the validity of the reports.
6. Review the sponsor's procurement procedures. If applicable, determine if the sponsor uses competitive bid procedures and formally advertises in a news medium of wide general distribution for bids on all contracts for goods and services over \$10,000 in aggregate. Also, determine that the sponsor has a system of contract administration. (7 CFR 3015.180(e) apply the specific procurement rules contained in Attachment O (Procurement) of the former OMB Circulars A-102 and A-110 to grants and subgrants under USDA entitlement programs, of which the SFSP is one. FNS Instruction 796-4, Rev. 4, Change 1, section XIII B (page 21) affirms this principle. The \$10,000 small purchase threshold is found at Attachment O, section 11a).
7. Review sponsor's participation in other Federal, State and local programs (e.g. National School Lunch Program, School Breakfast Program, Special Milk Program) to ensure separate records are maintained and duplicate costs or meals served are not claimed.
8. Determine whether the sponsor's personnel received training and technical assistance from the State agency, and whether the sponsor provided training and technical assistance to site personnel.

- J. SITE OPERATIONS - INTERIM AUDIT WORK.** It is anticipated that the nature of the summer food service programs will require the auditor to perform certain steps in the audit program on an ongoing basis during the period of program operation. Auditing a summer food service program after food service operations have been concluded will normally be ineffective and will not fulfill the requirements of this audit guide. **To ensure the success of on-site reviews, unannounced reviews of sites are recommended.** The auditor should:
1. Review available evidence for examples of improper sharing of proceeds of vendor contracts (e.g., interest-free loans, allowance for cost of operations).

2. Determine that sponsors of enrolled sites have income eligibility statements for at least 50 percent of the children enrolled to ensure children qualify for free and reduced price meals.
3. Determine that the sponsor has submitted an application and has been approved to operate the SFSP.
4. Determine, from documentation on file, that the sponsor is a public agency or a private nonprofit organization as defined under the Internal Revenue Code of 1986.
5. Review and evaluate the operation of the system used to adjust daily preparation and delivery of meals to sites based on participation trends. This means that the sponsor should adjust the number of meals ordered or prepared with the objective of providing only one meal per child per meal service. (7 CFR 225.15(b))
6. Determine that the sponsor has visited each of its sites at least once during the first week of operation and has taken actions necessary to correct any deficiencies. (7 CFR 225.15(d))
7. Determine that the sponsor has reviewed food service operations at each site at least once during the first 4 weeks of Program operations. (7 CFR 225.15(d))
8. Determine that all of the sponsor's sites have been approved in writing by the administering agency and that new sites added during the program have also been approved.

Private nonprofit organizations are allowed to be approved to operate up to 25 sites, regardless of the locations of the sites (i.e., urban or rural). The law retains the current limit on the number of children who may be served each day at any one site (i.e., not more than 300 children or, not more than 500 children, with a waiver granted by the SA).

**Prior audits have shown where one sponsor had created two entities so that they could avoid the site limitations for private nonprofit.**

9. Evaluate the effectiveness of the sponsor's site reviews in detecting ineligible meals and unallowable costs before they are folded into claims. Compare the results of site reviews to your observation of the same sites.
10. Review telephone logs and other memoranda of communications between the sponsor and the site supervisor which may indicate deliveries of spoiled or incomplete meals. If such deliveries occur at vended sites, the food costs for these meals must be deducted from the vendor's invoices and the sponsor's claims, at the State agency's discretion. (7 CFR 225.6(g)(4)(ix)). If this procedure discloses any deliveries of incomplete or

inedible meals, determine that the sponsor did in fact deduct those meals from the vendor's invoice(s) and did not claim the meals for reimbursement.

11. Validate authenticity of sample of site reports by comparing signature of site supervisors to the file of authorized signatures or by other adequate means.
12. Select a sample of sites (i.e., 25 percent) on a random basis for testing. Determine that the site operations are in compliance with Program regulations by completing the steps in **Attachment 3, Exhibit H (sites visits)**.

Failure to comply with the operating guidelines should be immediately reported to the sponsor, with recommendations for corrective action. Failure to comply with the guidelines must be noted in the auditor's report and the amount in violation must be deducted in the Audited Statement of Claim for Reimbursement.

13. Review the results of the site visits and reviews which were performed by the State agency or by the sponsor to determine problems noted and corrective actions taken. The auditor can obtain monitoring results from the State agency.

**K. AUDIT OF CLAIMS FOR REIMBURSEMENT.** The review of the sponsor's statement of claim is the most important element of the SFSP audit. It is imperative that the auditor make appropriate adjustments to reflect any costs that are unreasonable, not allowable, or not allocable to the Program (See FNS Instruction 796-4, rev.4, change 1, Financial Management) .

1. **Receipts - Program Funds.** Any funds relating to the program that are received by the sponsor must be reported. The sponsor can receive, but is not limited to, funds from the following sources:

- U.S. Department of Agriculture
- Adult meal payments
- Donations specifically made for food service costs
- Interest earned on start-up and advance funds
- Money designated for meals from another source

**Purpose**

To determine that the sponsor has procedures that provide effective controls over cash received.



**Audit Procedures**

- (1) Determine that all program income received have been reported on the sponsor's Claim for Reimbursement.
  - (2) Determine whether any income was earned on funds advanced to sponsors in programs directly administered by an FNS Regional Office. If so, determine whether the interest (in excess of \$100.00) was reported to the FNS Regional Office, and returned to USDA, per FNS Instruction 796-4, rev. 4. Policy guidance on interest earned from SFSP funds provided to sponsors by the State is the State agency's responsibility. SFSP reimbursement interest should be used in the Program.
  - (3) Obtain or prepare a bank reconciliation on each of the sponsor's bank accounts pertaining to SFSP as of the Program termination date.
  - (4) Confirm cash balances from depositories as of the end of the Program.
2. **Food Service to Children.** Program payments are based upon the lesser of: (1) net operating costs, or (2) number of first meals by type actually served multiplied by the appropriate rates of reimbursement for those meals. Therefore, determining the accuracy of meals served and claimed is vital to the audit of the claim.

**Purpose**

To determine whether meals the sponsor reported as having been served to children were actually served. The sponsor's report should be supported by site reports for each meal service, signed by the site supervisor.

**Audit Procedures**

- (1) Trace the number of meals claimed on the Claim for Reimbursement report to the site record of meals served.
- (2) Trace the meal service summaries for the sites visited to the sponsor's summary. Test the clerical accuracy of the summary and perform the following procedures:
  - (a) Trace the number of meals served on the sponsor's report to the sites' meal service summaries.
  - (b) For vended sites, trace the number of meals listed as received by the site to a signed delivery receipt from the vendor.

- (c) Ascertain that meals received by the site agree with those meals billed to the sponsor.
  - (d) Determine that the site meal service summary is signed by the site supervisor and that it is complete with all required data.
  - (e) Test the reasonableness of the number of meals served for the day the site is visited and compare the number of children and adults served to the meals reported as being served on that date (to be performed in conjunction with the site visits).
  - (f) Determine that meals served to adults are properly accounted for in the meal counts. Food costs for meals served to Program adults are allowable costs. Food costs for meals served to non-Program adults are only allowed when offset by cash payment (income) to cover the full cost of the meals, or costs are adjusted.
3. **Operating Costs.** Allowable operating costs are those actual costs for goods and services which are incurred by the sponsor for preparing and serving meals to eligible children and Program adults. (FNS Instruction 796-2, Rev. 4, change 1).

**Food Costs.** This category includes all costs for meals purchased or the cost of food actually used in preparing meals on site. This may also include the cost of processing, distributing, transporting, storing or handling food used in the Program.

**Purpose**

To determine that the sponsor has adequate supporting documentation for food costs reported by the sponsor on the Claim for Reimbursement.

**Audit Procedures**

- (a) Trace the cost of food reported on the Claim for Reimbursement to the sponsor's operating expense account for food purchases.
- (b) Verify that the opening and closing inventories were considered in reporting the cost of food actually used.
- (c) Verify the entries in the sponsor's operating expense account for food purchases by referring to vendor invoices and cancelled checks.
- (d) Determine that cost of food purchases excludes the value of returns, allowances for damaged food, and discounts.

- (e) Determine that the sponsor has not included value of USDA donated commodities in the food cost stated on the claim. This applies to those sponsors who prepare meals onsite or use school food services.
- (f) If disallowed meals have been included in food service operating costs, verify that the State agency has authorized the sponsor to include such costs. No costs may be allowed for any meals served in excess of a vended sites' approved level of meal service.
- (g) Verify that the meals served included the foods purchased.

**Labor Costs.** This category is limited to wages and fringe benefits incurred by the sponsoring agency for personnel involved in preparing and serving food (including post meal service clearing) and in the on-site supervision of the day-to-day food service operation.

#### **Purpose**

To determine that the (a) labor costs reported by the sponsor are adequately documented, (b) labor costs fall within the categories of preparation, service and supervision of the meal service, and (c) costs were allowable and allocable to the SFSP.

#### **Audit Procedures**

- (a) Trace the cost of labor reported on the Claim for Reimbursement to the sponsor's books and records and then to subsidiary payroll records.
- (b) Determine that the labor costs reported by the sponsor are limited to wages and fringe benefits incurred in preparing and serving food, the on-site supervision of children during the meal service, meal service clean-up, and onsite preparation of records.
- (c) Perform the following audit procedures for at least one payroll cycle.
  - (1) Verify footings and crossfootings of payroll sheets and summaries.
  - (2) Verify hours of employment by comparing pay with time and attendance records.
  - (3) Examine time and attendance records to determine that such records bear proper approval and signatures.
  - (4) Verify deductions for payroll taxes, using appropriate tax tables and employee's exemption certificate Form W-4.

- (5) Verify submission of payroll withholding payments to appropriate regulatory/taxing authorities through cancelled checks.
  - (6) Compare to see if employee name and net pay on cancelled payroll checks match those on payroll sheet entries.
  - (7) List and determine the cause of any unclaimed payroll checks.
  - (8) By observation and face-to-face inquiry, verify that employees whose compensation is charged to the SFSP, per the payroll records, actually exist and are working in the SFSP.
- (d) Determine whether the labor costs include salaries that are properly chargeable as operating costs.
  - (e) Determine whether donated labor was charged as a labor cost.
  - (f) If employees of the sponsoring organization work in both operating and administrative functions, in the SFSP and other sponsor activities or both, determine that the distribution of time is documented in accordance with OMB Circular A-87, Cost Principles for State and Local Governments, Attachment B, paragraph 11.h (support of Salaries and Wages); or with OMB Circular A-122, Cost Principles for Nonprofit Organizations, Attachment B, paragraph 6.1 (Support of Salaries and Wages); as applicable.
  - (g) Review payroll records pertaining to other Government grant programs to determine if officers or employees are receiving dual compensation for services. Obtain a certificate from a client official to include in workpapers verifying whether officers and employees actually worked the time on the program for which they were paid.

**Facilities Service Costs.** These are the costs of services other than labor that are required to operate a summer food service. This category includes costs incurred in renting building space and food service equipment, maintaining rented equipment and rented facilities, and obtaining utilities (where utilities are not already included in rental charges).

**Purpose**

To determine that the facility costs claimed by the sponsor are adequately supported and that such costs benefit only this program.

### **Audit Procedures**

- (a) Determine that the rental reported cost of building space and equipment is supported by executed leases, invoices and cancelled checks. (Rental of space for dining only, in an area which is not part of a school food service facility or a larger facility used for food preparation, is not an eligible cost.)
- (b) Determine that the equipment rented is on a "rental" basis rather than a lease purchase basis (Expenditures for the purchase of equipment and rental or lease payments covering periods beyond the closeout date of program operations are unallowable costs.)
- (c) Determine that other facility costs are adequately supported by an invoice and cancelled check.

**Expendable Nonfood Supply Costs.** This category includes goods which are necessary in the food service operation, such as straws, paper plates and disposable utensils.

### **Purpose**

To determine that nonfood supply costs are adequately supported and benefit only SFSP.

### **Audit Procedures**

- (a) Trace the cost of nonfood supplies reported on the Claim for Reimbursement to the sponsor's operating expense account for nonfood supply cost purchases.
- (b) Verify that the opening and closing inventories were considered in reporting the cost of nonfood supplies actually used.
- (c) Verify the entries in the sponsor's operating expense account for nonfood supply purchases by referring to vendor invoices and cancelled checks.

**Costs for Transporting Children.** The costs incurred in transporting children from rural homes to rural food service sites are allowable operating expenses. (As per FNS Instruction 796-4, rev. 4, change 1).

### **Purpose**

To determine that costs for transporting children are adequately supported and benefit only SFSP.

**Audit Procedures**

- (a) Determine that the area served meets the definition of "rural" as defined at section 225.2. (Note: The State agency is responsible for this determination).
- (b) Verify that the same transportation expenses are not also claimed as administrative costs.
- (c) Determine whether the costs were allowable, properly allocated to the SFSP, and properly documented.

**Depreciation of Non-Expendable Equipment.** Compensation for the use of buildings, capital improvements, and equipment may be made through depreciation costs. Depreciation shall be based on the acquisition cost of the assets involved.

**Purpose**

To determine that depreciation costs of non-expendable equipment are adequately supported and benefit only SFSP.

**Audit Procedures**

- (a) Ensure that the cost upon which the computation of depreciation expense is based excludes the cost of land and any portion of the cost of buildings or equipment borne by or donated by the Federal government.
- (b) Evaluate the appropriateness of how the useful service life of the equipment was established.
- (c) Ensure that depreciation methods are not changed unless approved by the State agency.
- (d) Ensure that depreciation costs are not charged for equipment that has been fully depreciated.
- (e) Trace depreciation costs to property records and depreciation schedules and ensure that the assets exist, that the sponsor owns the assets, are usable; are necessary to operate the SFSP; and are actually being used for that purpose. Depreciation expense on assets that are not being used for program purposes is unallowable.
- (f) Prorate for month of SFSP operation only.

4. **Administrative Costs.** Allowable administrative costs are those costs incurred by a sponsor related to planning, organizing and managing a food service, under the Program. Those costs category must be included in the sponsor's approved budget. The sponsor is required to submit an administrative budget to the State agency. This budget is used in determining the amount of administrative payments to be advanced to the sponsor by the State agency.

Administrative payments are based on: (1) actual documented administrative costs, (2) number of meals served to children times the administrative payment rate, or (3) sponsor's approved budget, whichever is less.

#### **Purpose**

To determine that administrative costs are: (1) adequately documented; (2) fall within the budget submitted to the State agency; and (3) allowable and allocable to the SFSP.

#### **Audit Procedures**

- (1) Obtain or prepare a schedule of administrative costs claimed by the sponsor, by category of expense.
- (2) Verify that each administrative cost category has been approved by the State agency in the sponsor's administrative budget.
- (3) Test the accuracy of administrative costs by referring to payrolls, invoices and cancelled checks.
- (4) Determine that salaries claimed under administrative costs do not include amounts properly chargeable to operating labor costs.
- (5) Determine that claims for mileage costs are properly supported by daily odometer readings and a list of itineraries.
- (6) Determine that the actual amounts paid for transportation under this category are reimbursement for performance of SFSP administrative work.
- (7) Ascertain whether professional fees claimed for Federal reimbursement are comparable to fees the providers of professional services charged to their other clients.
- (8) Determine whether expenditures exist for items not eligible for reimbursement, as listed in **FNS Instruction 796-4, rev. 4**. If such expenditures are detected, report them as questioned costs.

- (9) Ascertain and report as a separate category of administrative expense any incentive awards to officers or employees.
- (10) Prepare a schedule showing a comparison of budgeted administrative expense and actual administrative expense. Footnote and explain differences on the schedule. (See Exhibit D-1 of Attachment 3.)
- (11) Verify that costs claimed as administrative expenses were not also claimed as costs under "Operating Costs."



- ★ Reviews and approves sponsor applications, administrative budgets, and food service sites including:
  1. Determining the basis for each site's eligibility.
  2. Approving site applications for the maximum number of meals to be served by a vended sponsor's sites, type of meals, time of meal service, and period of operation.
- ★ Executing a written Program operating agreement with each sponsor approved to participate in the SFSP within the State.
- ★ Ensuring that accurate estimates are on file to justify advance payments and start-up funds.
- ★ Providing consultative, technical and managerial personnel to administer and monitor the Program.
- ★ Developing and implementing a monitoring system.
- ★ During the first 4 weeks of the program, performing administrative reviews of private nonprofit organizations sponsors and sponsors with 10 or more sites which the State agency has determined need early reviews. Also reviews an average of 15 percent of these sponsors' sites.
- ★ Conducting Program reviews of 70 percent of the sponsors with fewer than 10 sites and an average of 10 percent of their sites unless waivers have been requested and granted.
- ★ Conducting Program reviews of all remaining sponsors of 10 or more sites and an average of at least 15 percent of their sites unless waivers have been requested and granted.
- ★ Inspecting food preparation facilities of food service management companies if required for registration and as part of the administrative review of vended sponsors.
- ★ Registering food service management companies.
- ★ Developing a standard contract for use by sponsors and food service management companies.
- ★ Preparing and submitting reports to USDA.
- ★ Conducting outreach to find new sponsors.

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- ★ Processing claims for reimbursement.
- ★ Offering training to sponsors.
- ★ Providing financial assistance.

The Sponsor

Ensures that in storing, preparing, and serving food, proper sanitation and health standards are met which conform with all applicable State and local laws and regulations.

Sponsors must assume total financial and administrative responsibility for Program operations at all sites where the food service program is conducted. Specifically, the sponsor must:

- ★ Comply with the requirements of 7 CFR part 225, FNS instructions, and policy guidance.
- ★ Establish accounting practices under which it can report information required by Program regulations.
- ★ Submit to the State agency a sponsor application, which includes site information for each proposed site, an administrative budget, documentation supporting the sponsor's eligibility and the eligibility of each site, as required by the State agency.
- ★ Sign a written Program agreement specifying its approved administrative budget and list of sites and meal services which will be eligible for reimbursement.
- ★ Take immediate corrective action on all audit recommendations for improving the financial and operational systems and the system of internal control.
- ★ Provide a regularly scheduled food service for the children attending each site.
- ★ Agree to maintain children on site during the food service.
- ★ Certify that all food service sites have been visited and that each site has adequate facilities, and trained personnel to serve meals to the number of children anticipated.
- ★ Conduct training sessions on Program duties and responsibilities for sponsor and site personnel.
- ★ Use standard competitive bid procedures. Ensure that bids for complete meals and management services meet the following standards:

**RESPONSIBILITIES FOR ADMINISTERING  
AND  
OPERATING THE PROGRAM**

Food and Nutrition Service

The Food and Nutrition Service (FNS) administers the SFSP at the Federal level. FNS provides Program policy guidance nationwide and:

- ★ Develops and publishes Program regulations which implement the law and the intent of Congress.
- ★ Allocates Federal funds for the Program to the States.
- ★ Develops handbooks and other Program materials for FNS regional offices, State agencies, and local sponsors.
- ★ Provides overall Program assistance to FNS regional offices and State agencies.

Office of Inspector General

USDA's Office of Inspector General conducts comprehensive fiscal and management audits of SFSP operations. All participating sponsors' operations are subject to audit on a selected basis. OIG reviews:

- ★ Fiscal and management procedures to ensure compliance with program regulations.
- ★ Site approval procedures, staffing patterns, and personnel training practices.
- ★ Reimbursement claims to determine accuracy.
- ★ Site records to ensure accuracy.
- ★ Meals to determine if they meet Federal nutritional requirements.
- ★ Meal distribution procedures to ensure that all meals claimed are eligible for reimbursement.

### Food and Nutrition Service (FNS) Regional Offices

The FNS regional offices provide technical and administrative assistance to State administering agencies to ensure that all program requirements are met. Regional offices:

- ★ Assume all the responsibilities of a State agency in States where the State does not administer the Program.
- ★ Disseminate Program information and policy guidance from the national office to State agencies, and responds to State agency policy questions.
- ★ Assist States in setting up food service programs and training State personnel.
- ★ Conduct reviews of private nonprofit organization sponsors.
- ★ Evaluate State Program management and administration.

### State Agencies

Within most States, the State Department of Education or an alternate agency is responsible for the administration of SFSP. In Michigan, New York, and Virginia, all or part of the Program is administered directly by FNS regional offices (In New York for example, FNS administers the SFSP in private non-profit and residential camps). The State agency develops and makes available all necessary Program materials, in sufficient time, to enable applicant sponsors to adequately prepare for participation in the SFSP, and:

- ★ Notifies all prospective sponsors of SFSP requirements, including guidelines for contracts, meals, recordkeeping, financial management, and audits and appeals.
- ★ Establishes deadlines for submission of applications.
- ★ Visits, before approval, all new sponsor applicants and all other sponsor applicants which, as a result of operational problems in the prior fiscal year, require preapproval-visits.
- ★ Visits all proposed nonschool sites with an expected average daily attendance of at least 300 children, which did not participate in the SFSP in the previous summer.
- ★ Visits all sites proposed by private nonprofit organization sponsors with an expected attendance of at least 100 children.

1. The invitation to bid does not specify a minimum price.
  2. The invitation to bid contains a cycle menu upon which the bids shall be based.
  3. The invitation to bid includes special meal requirements to meet ethnic or religious needs that are required by the children.
  4. The invitation to bid does not provide for loans to be made to sponsors by food service management companies.
  5. Nonfood items are excluded from the invitation to bid, except where such items are essential to the conduct of the food service.
  6. A bid submitted by a food service management company includes the health certification required by State or local law or regulation with each bid.
  7. When procuring the services of a food service management company, the sponsor documents the reason(s) for its selection of the successful bidder.
- ★ Enter into a contract with a food service management company or a written agreement with a school food authority when either is used as a vendor of meals. The written contract between the sponsor and the food service management company must specify that:
1. The sponsor will provide the food service management company with a list of approved food service sites and will update the list as needed.
  2. The food service management company will maintain records (supported by invoices, receipts or other evidence) that the sponsor will need to meet its responsibilities under the Program, and submit all required reports to the sponsor promptly at the end of each month, at a minimum.
  3. The food service management company will have State or local health certification for the facility in which it is preparing meals for use in the Program, and ensure that all health and sanitation requirements are met at all times.
  4. The meals served under the contract will conform to the cycle menus and meal quality standards and food specifications approved by the State agency.
  5. The books and records of the food service management company pertaining to the sponsor's food service operation will be available for inspection and audit by representatives of the State agency, the Department, and the U.S. General

Accounting Office at any reasonable time and place for a period of 3 years from the date of receipt of final payment.

6. The sponsor and food service management company will operate in accordance with current Program Regulations and policies.
  7. The food service management company will be paid by the sponsor for all meals delivered in accordance with the contract.
  8. Meals will be delivered in accordance with a delivery schedule prescribed in the contract.
  9. Increases and decreases in the number of meals ordered will be made by the sponsor, as needed, within a prior notice period mutually agreed upon.
  10. All meals served under the Program will meet meal service requirements specified at 225.16 of the regulations.
  11. In cases of nonperformance or noncompliance on the part of the food service management company, the company will pay the sponsor for any excess costs the sponsor incurs by obtaining meals from another source.
- ★ Provide adequate supervisory personnel for overall management and monitoring of the Program, including visits to all sites during the first week of operation.
  - ★ Ensure that all meals served meet minimum meal requirements, including meal quality standards and food specifications provided by the State agency.
  - ★ Arrange for delivery, holding, and storage of meals in accordance with standards prescribed by appropriate State or local health authorities.
  - ★ Establish procedures for making daily adjustments in the number of meals prepared or delivered to sites, with the goal of serving one meal per child for each approved meal service.
  - ★ Arrange for food service during bad weather.
  - ★ Maintain accountability for all start-up payments (if available) and advance payments.
  - ★ Develop a system for regular submission of daily site records.
  - ★ Maintain complete and accurate records on the food service.

- ★ Submit accurate and timely claims for reimbursement within 60 days.

#### Site Personnel

Site personnel are responsible to the sponsor for all aspects of the food service operation to ensure compliance with Program requirements. These personnel must:

- ★ Attend training sessions which describe Program objectives and requirements.
- ★ Count meals delivered before signing delivery invoices.
- ★ Count meals at the point of service to eligible children.
- ★ Ensure that any complete second meals, leftover meals, nonreimbursable meals, or meals served to program and non-program adults are recorded properly.
- ★ Adhere to State or local health and sanitation requirements.
- ★ Organize a supervised system for serving meals to participating children.
- ★ Make sure that meals are served at approved times, and in accordance with 7 CFR 225.16(c), so that:
  1. Three hours elapse between breakfast and lunch and four hours between the beginning of lunch and supper if no supplement is served.
  2. Three hours elapse between the beginning of the service of each supplement and breakfast, lunch, or supper.
  3. The duration of the meal service is limited to two hours for lunch or supper and one hour for all other meals (except at camps).

#### The Food Service Management Company

Food service management companies, except for schools and companies with exclusive year-round service contracts with schools, must enter into a written contract with the sponsor. Any sponsor contracting with a food service management company for \$10,000 or more must use formal competitive bid procedures.

## AUDIT REPORTS - OPINIONS

All financial and compliance audits shall contain one of the following opinions:

(a) Unqualified Opinion

An unqualified opinion asserts that an auditor understands the standards of his or her profession and has made an examination that measures up to them; that the financial statements being reported on present what they purport to present fairly in accordance with generally accepted accounting principles; and that those principles have been applied on a basis consistent with that of the preceding year. It signifies that the auditor found no problems or deficiencies, either in carrying out his/her work or in the financial statements under examination, of which he/she believes a reader of the financial statements should be aware.

(b) Qualified Opinion

A qualified opinion is used to disclose an "exception" which, though worthy of mention, does not warrant a disclaimer of the financial statement.

Adequate disclosure of the cause of the qualification should be made in the opinion paragraph of the auditor's report. If reasonably determinable, it should also state the effect on financial position and results of operations. If a scope limitation is involved, a disclosure should be made in the scope paragraph.

When a qualified opinion is issued, the nature of the qualification must be stated; the reasons for the qualification, the subject of the qualification, and the effect of the item(s). The nature of the qualification may be referred to in the opinion and referenced to notes within the statements unless the qualification is due to a limitation upon the scope of the audit.

Where the "exception" is material a qualified or an adverse opinion must be expressed. The test of materiality lies within the auditor's judgment and may be a crucial matter.

(c) Adverse Opinion

An adverse opinion is issued when there is sufficient information for the auditor to form an opinion and the opinion is that the statements taken as a whole do not present fairly the financial position and the results of operations. It is required if any of these circumstances exist:



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- A departure from generally accepted accounting principles of such materiality as to result in unfair presentation.
- A material misstatement in the statements.

(d) Disclaimer of Opinion

When the auditor does not have sufficient information upon which to base an opinion, he/she will disclaim an opinion on the statements taken as a whole and include a paragraph stating all his/her reasons for the disclaimer. These are two grounds for the disclaimer of an opinion, namely:

- The examination is inadequate for the expression of an opinion (regardless of the reason for the inadequacy).
- Though the audit may have been adequate, there exists material indeterminate items that obviate fair presentation.

A disclaimer of opinion is not to be used when an opinion has actually been formed, or when additional work can be performed to provide an opinion.

(Accountant's Letterhead)

Anytown Summer Food Program  
100 Main Street  
Anytown, U.S.A.

Dear Sir:

We have examined the Statement of Claim for Reimbursement of Agreement Number 1234-56 awarded to Anytown Summer Food Program, a sponsor under the 19\_\_ Summer Food Service Program for Children, for the period June 27, 19\_\_ to September 2, 19\_\_. Our examination was made in accordance with the auditing standards established by the AICP and with generally accepted Government standards established by the Comptroller General of the United States, and included tests of the accounting and program records prescribed by the USDA-OIG guide for audits of this program. In our opinion, the aforementioned claims present fairly the number of meals eligible for reimbursement for the period noted above.

We have also reviewed the sponsor's compliance with applicable laws and regulations as they apply to this program. Specific comments are presented in Exhibit F of this report.

This report is intended for use in connection with the program to which it refers and should not be used for any other purpose.

(Accountant's Signature)

ANYTOWN SUMMER FOOD PROGRAM  
Agreement Number 1234-56  
19\_\_ Summer Food Service Program for Children  
Audited Statement of Claim  
For the Period June 27, 19\_\_ to September 2, 19\_\_

Program Costs:

Cost of meal service (Exhibit B)	\$418,683
Administrative costs (Exhibit D-1)	<u>32,501</u>
Total Program Costs	\$451,184

Program Payments Received

Start-up payments 3,000	
Advance payments 10,000	
Claim for Reimbursement - June 19__	12,081
Claim for Reimbursement - July 19__	258,839
Other income <sup>1</sup>	<u>-0-</u>
Total Program Payments Received	<u>\$283,920</u>

<u>Program Payments Due from the State Department of Education</u>	<u>\$167,264</u>
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<sup>1</sup>Any income which accrues to the program shall be included in the payments received. "Income accruing to the Program" means all funds used by a sponsor in its Food Service Program, including but not limited to all monies, other than Program payments, received from Federal, state and local governments, from food sales to adults, and from any other source, including cash donations or grants.

ATTACHMENT 3  
EXHIBIT B  
of IG-7027.8N

(On Site Preparation)  
ANYTOWN SUMMER FOOD PROGRAM  
Agreement Number 1234-56  
19\_\_ Summer Food Service Program for Children  
Schedule of Meals Served and Cost of Meal Service  
For the Period June 27, 19\_\_ to September 2, 19\_\_

Meals Served	Meal Type				Total
	Breakfast	Lunch	Supplements	Supper	
June 27, 19__ to Sept. 2, 19__	3,980	13,827	8,740	125	26,672
July 1, 19__ to July 31, 19__	64,873	217,284	101,283	1,050	384,490
August 1, 19__ to Sept. 2, 19__	58,507	193,084	95,274	750	347,615
Totals of meals served as reported by Sponsor on Claims for Reimbursement	127,360	424,195	205,297	1,925	758,777
Less meals disallowed - meal violation notices received from the State agency	(251)	(2,336)	(710)	(150)	(3,447)
Less meals disallowed by auditor for program violations	(116)	(9,217)	(501)	(210)	(10,044)
Net meals served	126,993	412,642	204,086	1,565	745,286
Maximum Potential Reimbursement for Meal Service					
Net meals served	126,993	412,642	204,086	1,565	745,286
Maximum reimbursement per meal (max. rate all SDA minus admin. monies) <sup>1</sup>	\$ 1.190	\$ 2.080	\$ .4800	\$ 2.080	
Maximum potential reimbursement	\$151,122	\$858,295	\$97,961	\$3,255	\$1,110,633

Food <sup>2</sup>	\$382,873
(Less adjustment for meals disallowed)	8,774
Net food Cost <sup>3</sup>	374,099
Labor	31,913
Facility	10,523
Non-Food	2,148
Cost of Meal Service	\$418,683

<sup>1</sup>Check for current rates in current regulations.

<sup>2</sup>Do not include value of commodities

<sup>3</sup>Add cost of disallowed meals provided they do not exceed sponsor's approved level of service.

ATTACHMENT 3  
EXHIBIT C  
of IG-7027.8N

(Contracted Food Service)  
ANYTOWN SUMMER FOOD PROGRAM  
Agreement Number 1234-56  
19\_\_ Summer Food Service Program for Children  
Schedule of Meals Served and Cost of Meal Service  
For the Period June 27, 19\_\_ to September 2, 19\_\_

Meals Served	Meal Type				Total
	Breakfast	Lunch	Supplements	Supper	
June 27, 19__ to June 2, 19__	3,980	13,827	8,740	125	26,672
July 1, 19__ to July 31, 19__	64,873	217,284	101,283	1,050	384,490
August 1, 19__ to Sept. 2, 19__	58,507	193,084	95,274	750	347,615
Totals of meals served as reported by Sponsor on Claims for Reimbursement	127,360	424,195	205,297	1,925	758,777
Less meals disallowed - meal violation notices received from the State agency	(251)	(2,336)	(710)	(150)	(3,447)
Less meals disallowed by auditor for program violations	(116)	(9,217)	(501)	(210)	(10,044)
Net meals served	126,993	412,642	204,086	1,565	745,286
Maximum Potential Requirement for Meal Service					
Net meals served	126,993	412,642	204,086	1,565	745,286
Maximum reimbursement per meal (max. rate allowable by USDA minus admin. monies) <sup>1</sup>	\$ 1.190	\$ 2.080	\$ .4800	\$ 2.080	
Maximum potential reimbursement	\$151,122	\$858,295	\$97,961	\$3,255	\$1,110,633

Cost of Meal Service - Food Service Management Companies Invoice

	Cost Per Meal	Meals Served	
Breakfast	\$ .46	126,993	\$ 53,417
Lunch	.77	412,642	317,734
Supplement	.2025	204,086	41,327
Supper	.77	1,565	1,205
Total			\$418,683

<sup>1</sup>Check for current rates in current regulations.

ANYTOWN SUMMER FOOD PROGRAM  
Agreement Number 1234-56  
19\_\_ Summer Food Service Program for Children  
Statement of Budgeted Administrative Expenses  
and Actual Administrative Expenses

	Budgeted	Actual	Over (under) Budget
Management Salaries	\$ 5,600	\$ 5,600	--
Monitors Salaries	9,700	9,604	(96)
Clerical Salaries	5,100	5,250	150 <sup>1</sup>
Fringe Benefits	1,800	1,896	96 <sup>2</sup>
Total Personnel Cost	\$22,200	\$22,350	150
Transportation	3,200	2,575	(625)
Communication	2,000	1,738	(262)
Office Rental	2,600	2,560	(40)
Office Supplies	400	387	(13)
Office Equipment Rental	1,400	1,412	12 <sup>3</sup>
Auditing Fees	1,000	1,000	--
Other Program Cost	500	479	(21)
Total Nonpersonnel	\$11,100	\$10,151	(949)
Total Administrative Cost	\$33,300	\$32,501	(799)

<sup>1</sup>Employed one temporary employee for one week because of emergency sick leave.

<sup>2</sup>State legislation increased the employers' share of benefit cost.

<sup>3</sup>Program required the rental of a copy machine.

ANYTOWN SUMMER FOOD PROGRAM  
Agreement Number 1234-56  
19\_\_ Summer Food Service Program for Children  
Calculation of Maximum Allowable Administrative Costs  
For the Period June 27, 19\_\_ to September 2, 19\_\_

Calculation of Maximum Allowable Administrative Costs:

Meal Type	Net Meals Served Per Exhibit B	Administrative Rate Per Meal <sup>1</sup>	Maximum Allowable Administrative Costs
Breakfast	126,993	\$.1175	\$ 14,922
Lunch	412,642	.2175	89,750
Supplements	204,086	.0600	12,245
Supper	1,565	.2175	340
Maximum allowable administrative costs			\$ 117,257
Administrative costs claimed by sponsor			32,501
Excess Administrative Costs Over Maximum Allowable			\$ -0-

<sup>1</sup>Use rates per current regulations.

ANYTOWN SUMMER FOOD PROGRAM  
Agreement Number 1234-56  
19\_\_ Summer Food Service Program for Children  
Schedule of State Disallowance Notices

The State agency issued disallowance notices to the sponsor, Anytown Summer Food Program as follows:

DATE	SITE	MEAL	NO. DISALLOWED
7/5	Penny Street	Lunch	816
7/7	Grace Church	Supplement	710
7/12	Pine Street	Breakfast	251
7/20	Grove Street	Supper	150
8/3	Camden Hall	Lunch	414
8/17	Pine Street	Lunch	731
8/18	Lakeside Elementary	Lunch	375
Total meals Disallowed			3,447

<u>Breakfast</u>	<u>Lunch</u>	<u>Supplement</u>	<u>Supper</u>	<u>Total</u>
251	2,336	710	150	3,447



ANYTOWN SUMMER FOOD PROGRAM  
Agreement Number 1234-56  
19\_\_ Summer Food Service Program for Children  
Summary of Compliance with Federal Regulations  
and Program Guidelines  
For the Period June 27, 19\_\_ to September 2, 19\_\_

GENERAL

The Anytown Summer Food Program was approved by the State of \_\_\_\_\_ to sponsor the Summer Food Service Program for Children by Agreement Number 1234-56, dated June 1, 19\_\_. The purpose of the program is to provide nutritional help to children who would otherwise be deprived of the food assistance they would normally receive at other times of the year under the National School Lunch Program. Meals were served to children at sites organized and operated by Anytown Summer Food Program.

SCOPE

Our examination was made in accordance with the auditing standards established by the AICPA and with generally accepted Government standards established by the Comptroller General of the United States.

As a part of our examination, we performed tests in accordance with the compliance testing procedures as set forth in the U.S. Department of Agriculture Audit Guide Number 7027.8N.

EXIT CONFERENCE

An exit conference was held at Anytown Summer Food Program, 100 Main Street, Anytown, USA on October 10, 19\_\_. Attending were:

For the Sponsor

(Name, Title)

For the Certified Public Accountant

(Name)

ATTACHMENT 3  
EXHIBIT F  
of IG-7027.8N

AUDIT OBJECTIVES

The following were the principle objectives of our audit:

1. To evaluate internal controls to assure integrity of accounting records and compliance with program regulations.
2. To determine that the sponsor complies with procurement provisions of the program regulations.
3. To express an opinion as to whether the sponsor's statement of claim presents fairly the reimbursement claimed for the Summer Food Service Program in conformity with prescribed accounting procedures and program guidelines.
  - ★ To determine that procedures provided effective controls over cash received.
  - ★ To determine that meals reported by the sponsor as served to children are supported by site reports from all properly approved and operating food service sites, signed by the site supervisor.
  - ★ To determine that documentation was adequate to support all food, costs reported on the claims for reimbursement. Food costs must be allowable and allocable to the SFSP.
  - ★ To determine that labor costs were adequately documented. Labor costs must be allowable and allocable to the SFSP.
  - ★ To determine that administrative costs were incurred solely for program administration and were eligible for reimbursement.

INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

The objective of internal accounting and administrative controls is to provide reasonable, but not absolute, assurance as to (1) accuracy of records for preparation of financial reports, and (2) compliance with regulations and guidelines.

In our opinion, the internal accounting and administrative control procedures are in general agreement with procedures prescribed in Federal Regulations and the U.S. Department of Agriculture guidelines except as follows:

Anytown Summer Food Program

1. Finding:

Recommendation:

Sponsor's Comment:

Impact on Claim:

(Additional findings using same format).

(Accountant's Signature)

SPONSOR VISIT

Complete the following questionnaire at the Sponsor:

COMPLIANCE QUESTIONNAIRE

(SUMMER FOOD SERVICE PROGRAM FOR CHILDREN)

FOR THE PERIOD \_\_\_\_\_

SPONSOR'S NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

DATE \_\_\_\_\_ TIME \_\_\_\_\_

INDEPENDENT AUDITOR \_\_\_\_\_

	YES	NO	N/A	COMMENTS
1. (SUMMARY) Is sponsor operating the program in accordance with program requirements?				
2. Did sponsor visit each of its sites at least once during the first week of Program operation?				
3. Did sponsor review food service operations at each site at least once during the first four week of Program operations?				
4. Did sponsor maintain a reasonable level of site monitoring?				
5. Did sponsor annually announce (in the media) the availability of free meals?				
6. Does sponsor contract with a food service management company?				
7. Did sponsor comply with the competitive bid procedures as required?				

ATTACHMENT 3  
EXHIBIT G  
of IG-7027.8N

	YES	NO	N/A	COMMENTS
8. Did sponsor claim reimbursement under parts 210, 215, 220 or 226 at the same sites for the same meals served under the SFSP?				
9. Did sponsor contract out for management responsibilities?				
10. Did sponsor utilize either its own food service facilities or obtain meals from a school food service facility?				
a. Is there an agreement between the sponsor and the school?				
11. Did sponsor plan for and prepare or order meals on the basis of participation trends with the objective of providing only one meal per child at each meal service?				
12. Were meals ordered or prepared in excess of sites approved level?				
13. Do records justify all costs and meals claimed?				
14. Did sponsor hold Program training for its administrative and site personnel?				
15. Did training include: a. The purpose of the Program? b. Site eligibility? c. Recordkeeping? d. Site operations? e. Meal pattern requirements? f. The duties of a monitor?				

	YES	NO	N/A	COMMENTS
16. If the sponsor is a private nonprofit organization, did it certify that it: a. Serves no more than 25 sites, regardless of the location of the sites, (i.e., urban or rural)? b. Serves no more than 300 children at any site, or not more than 500 with a waiver granted by the State?				
17. Does the sponsor maintain a daily count of all meals by type for all sites?				
18. Upon review of the sponsor's meal count records, are there any noticeable meal counting patterns that indicate that accurate meal counts are not taken by the site supervisors, such as:  a. the same meal counts every day?  b. excess and/or second meals only on State or sponsor review days?  c. meal count totals are in multiples of 5?				

Other comments: -

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SITE VISIT

1. Arrive **unannounced** at the site before service begins.
  - a. Indicate the time food service begins and when it ends.
  - b. Count the number of meals delivered or prepared.
  - c. Count the number of meals served to children.
  - d. Generally, only one meal should be served to each child 18 years of age and younger although a limited number of second meals can be claimed for reimbursement. Indicate any exceptions noted while observing the site operations.
  - e. Note meals served in excess of site's approved level of meal service if an approved level has been set by the State agency.
  - f. Note the number of children who receive more than one meal as accurately as possible (multiple meals or second meal service).
  - g. Note the number of children who take their full meal off site (waivers may be granted to take a component off site).
  - h. Note the excess meals not served.
  - i. Note spoiled or inedible meals, and meals not unitized, or ineligible for any other reason.
  - j. Complete the compliance questionnaire.
2. Compare auditor's determination with daily site report for that day, as prepared by site supervisor. Note exceptions.

ATTACHMENT 3  
EXHIBIT H  
of IG-7027.8N

COMPLIANCE QUESTIONNAIRE

(SUMMER FOOD SERVICE PROGRAM FOR CHILDREN)

FOR THE PERIOD \_\_\_\_\_

SPONSOR'S NAME \_\_\_\_\_

SITE NAME/CODE ADDRESS OF SITE \_\_\_\_\_

DATE \_\_\_\_\_ TIME \_\_\_\_\_

SITE SUPERVISOR \_\_\_\_\_

PREPARATION VENDOR/SELF-PREP \_\_\_\_\_

INDEPENDENT AUDITOR \_\_\_\_\_

	YES	NO	N/A	COMMENTS
1. Are meal count and site labor records completed daily?				
2. Does information entered on the site report include as a minimum:				
a. Name and address of site?				
b. Number of meals by type prepared or received?				
c. Number of meals by type served to children as first meals and as second meals?				
d. Number of meals served to adults (program adults and non-program adults)?				
e. Number of children attending the site?				
f. Date and site supervisor's signature?				



ATTACHMENT 3  
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	YES	NO	N/A	COMMENTS
3. Are meals served to adults who are not employed in the food service program recorded and paid for? (Record number of meals sold and amount of cash received.)				
4. Are cash collections properly safeguarded?				
5. Are cash collections deposited intact and on a timely basis?				
6. Are meals counted upon delivery at site?				
7. Is site control adequate?				
8. Are all meals consumed within the designated eating area?				
9. Are second meals served to children only after first meals have been consumed? Does the site have an accurate method of getting a meal count?				
10. Is the number of meals prepared or delivered sufficient for the number of children in attendance?				
11. Does the number of leftover meals appear to be reasonable?				
12. Are daily deliveries of meals to sites adjusted because of changing attendance?				
13. Are meals delivered in excess of the site's approved level of meal service?				
14. Are leftover meals returned to preparation site for credit or held over properly for next day use?				
15. Are health and safety standards maintained? Is there a valid health certificate on hand?				

ATTACHMENT 3  
EXHIBIT H  
of IG-7027.8N

Other comments:

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SAMPLE ENGAGEMENT LETTER

Dear Mr. \_\_\_\_\_:

This letter will confirm the verbal understanding as to our examination of your claim for Federal reimbursement for your Summer 19\_\_ operations under the Summer Food Service Program for Children.

Our examination will be conducted in accordance with standards developed by the U.S. General Accounting Office for audits of Governmental programs, and the USDA, Office of Inspector General audit guide. The examination will include:

1. A determination whether costs claimed for reimbursement are reasonable, allowable and allocable to the program. Where appropriate, we will make adjustments to costs claimed.
2. A study and evaluation of the system of internal control.
3. A determination that you have an operational system to assure compliance with program regulations and guidelines.
4. The preparation of an audit report suitable for submission with your final claim for reimbursement.

We will prepare a management letter on our evaluation of your system of internal control. The letter will be submitted to you within two weeks after the program commences. Recommendations and observations concerning the system of internal control will be stated at that time.

Our examination will evaluate the fairness of your claims for Federal reimbursement, but it is not designed to uncover fraud or misappropriation of funds, although if such irregularities do exist, the examination may disclose them.

Our fees for this examination will be contingent upon the actual manhours spent by our staff members at the going rates for comparable services, as shown below:

ATTACHMENT 4  
of IG-7027.8N

	Range	
	From	To
Junior Accountants	\$	
Semi-senior Accountants		
Managers		
Principles		
Junior Partners		
Senior Partners		

Reasonable expenses incurred by us in the performance of the audit including, but not limited to travel, typing, postage, printing, etc., shall be billed to you.

In order for us to work as efficiently as possible, it is understood that your staff will maintain the basic accounting records, including site supervisor reports, summary of site reports, and documentation to support administrative expenses.

It is also understood that for a period of three years after the audit, the workpapers of our auditing firm will be made available for Quality Peer Reviews by the U.S. Department of Agriculture.

Our examination shall be completed and our report submitted to you by \_\_\_\_\_  
19\_\_.

Sincerely,

Smith & Smith Co.

Accepted by \_\_\_\_\_

Date \_\_\_\_\_

<b>DIRECTORY OF OFFICE OF INSPECTOR GENERAL AUDIT REGIONAL OFFICES AND RESPONSIBLE TERRITORIES</b>	
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Mr. John Magnarelli Regional Director NERO, USDA, FNS, SNP 10 Causeway Street Boston, MA 02222-1069 Phone: 617-565-6426 FAX: 617-565-6472	